

Message Text

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61

ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-06 EUR-12 NEA-09 RSC-01

AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03

FEA-01 JUSE-00 IO-10 AGR-05 /126 W

----- 082132

R 291536Z JAN 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 4652

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBERVILLE

AMEMBASSY LONDON

AMEMBASSY MEXICO

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: ENRG, OPEC, AU, UNIDO
SUBJECT: FORMER OPEC SECRETARY GENERAL KHENE ON
ENERGY CRISIS

"BEIRUT PASS BAGHDAD"

FOR EB

1. EMBOFF ACCOMPANIED VISITING PROFESSOR HAROLD C. DEUTSCH OF ARMY WAR COLLEGE ON CALL TO FORMER OPEC SECRETARY GENERAL DR. ABDERRAHMAN KHENE JANUARY 28. WHILE KHENE NOW UNIDO EXECUTIVE DIRECTOR, BELIEVE HIS RECENT OPEC AFFILIATION MAKES HIS VIEWS ON OVERALL ENERGY PROBLEM OF SOME CONTINUING INTEREST.

2. KHENE NOTED OPEC MEMBER STATES NOT ALL ALL INDIFFERENT TO PLIGHT OF INDUSTRIALIZED CONSUMING COUNTRIES. HE READILY AGREED THAT INDUSTRIALIZED NATIONS MUST REMAIN VIABLE IN ORDER TO PURCHASE OPEC OIL AND TO PROVIDE MANUFACTURED GOODS, BUT FELT THAT INDUSTRIALIZED NATIONS COULD BEAR BURDEN OF CURRENT PRICES. HE ADDED THAT INDUSTRIALIZED NATIONS ALSO REPRESENTED IMPORTANT BULWARK AGAINST COMMUNISM. MAKING REFERENCE TO MOSLEM RELIGION, HE SAID ARABS GENERALLY OPPOSE COMMUNISM AND APPRECIATE ROLE OF U.S. IN PROVIDING COUNTERWEIGHT.

3. KHENE TOOK UNCOMPROMISING STAND ON ISSUE OF CRUDE PRICES. PRICES OF MANUFACTURED GOODS HAVE INCREASED STEADILY, HE SAID, WHILE PRICES OF RAW MATERIALS DECREASED UNTIL 1973. AS AN EXAMPLE HE CITED MALI WHERE IN 1960 A KILOGRAM OF PEANUTS WOULD PAY FOR A METER OF CLOTH. IN 1972 IT TOOK 20 KILOGRAMS OF PEANUTS OF PAY FOR A METER OF CLOTH. KHENE REPEATED WELL-KNOWN ARGUMENTS CONCERNING WASTAGE OF IRREPLACEABLE NATURAL RESOURCE AND NEED TO CREATE INDUSTRIAL BASE IN OPEC COUNTRIES FOR THE GENERATIONS TO COME. HE SAID ALGERIA, FOR ONE, COULD NOT APPROVE OF REDUCTION IN PRICE OF CRUDE.

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4. IN KHENE'S VIEW, MAJOR PROBLEM IN PRESENT CRISIS IS SURPLUS REVENUES BEING AMASSED BY ONLY A FEW OPEC COUNTRIES, SUCH AS KUWAIT, SAUDI ARABIA, AND LIBYA. MOST OPEC COUNTRIES ARE SPENDING THEIR REVENUES FROM OIL AND GOODS AND SERVICES FROM INDUSTRIALIZED COUNTRIES AND ARE NOT BUILDING UP REVENUE SURPLUSES. KHENE SAID COUNTRIES SUCH AS ALGERIA, NIGERIA, AND INDONESIA, AMONG OTHERS, NEED THEIR PRESENT CINCOMES AND WILL

SPEND THEM. HE HAD NO READY ANSWER TO QUESTION OF
LONG-TERM SOLUTION TO PROBLEM OF REVENUE SURPLUSES
OTHER THAN BLEAK ADVICE THAT INDUSTRIALIZED COUNTRIES
MUST REDUCE OIL CONSUMPTION. SHOULD INDUSTRIALIZED
COUNTRIES SUCCEED IN REDUCING OIL CONSUMPTION BY A
THEORETICAL 25 PERCENT, KHENE ARGUED THAT THE PRO-
DUCTION CUTS (AND THEREFORE INCOME) WOULD HAVE TO BE
MADE BY THOSE OPEC STATES WHICH ARE NOW CREATING LARGE
REVENUE SURPLUSES. HE REPEATED THAT THESE PRODUCERS
WOULD HAVE TO ACCEPT REDUCTIONS IN PRODUCTION AND
INCOME. ALGERIA AND MOST OTHER OPEC MEMBERS, DEPENDENT
ON THEIR OIL REVENUES, COULD NOT PERMIT A REDUCTION
IN NATIONAL INCOMES. HUMES

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